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	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	110.0	104.0	104.0
Personal Services	4,387,400	4,817,300	4,636,800
Employee Related Expenditures	1,684,600	1,719,700	1,744,600
Professional and Outside Services	386,400	383,400	384,300
Travel - In State	231,800	269,800	269,800
Travel - Out of State	7,700	16,700	16,700
Other Operating Expenditures	572,800	353,300	1,152,300
Equipment	87,800	0	0
OPERATING SUBTOTAL	7,358,500	7,560,200	8,204,500
SPECIAL LINE ITEMS			
Advertising	15,669,700	16,000,000	16,000,000
Instant Tickets ^{1/}	10,038,800	11,537,200	12,451,000 ^{2/}
On-Line Vendor Fees ^{1/}	7,813,800	7,843,000	7,717,100 ^{3/}
Retailer Commissions ^{1/}	32,455,400	35,373,600	37,147,000 ^{4/}
Sales Incentive Program	38,100	50,000	50,000
Telecommunications	393,000	629,400	0
5th Special Session Reduction	0	(528,400)	(528,400)
AGENCY TOTAL	73,767,300	78,465,000	81,041,200 ^{5/}

FUND SOURCES

Other Appropriated Funds

State Lottery Fund	73,767,300	78,465,000	81,041,200
SUBTOTAL - Other Appropriated Funds	73,767,300	78,465,000	81,041,200
SUBTOTAL - Appropriated Funds	73,767,300	78,465,000	81,041,200
Other Non-Appropriated Funds	284,661,600	313,043,000	330,599,100
TOTAL - ALL SOURCES	358,428,900	391,508,000	411,640,300

AGENCY DESCRIPTION — The Arizona Lottery is responsible for administering sanctioned games of chance. Arizona-specific games include instant tickets, the Pick, Pick 3, and Pick 5 on-line games. Arizona also participates in the multi-state Powerball on-line game.

Operating Budget

The budget includes \$8,204,500 and 104 FTE Positions from the State Lottery Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

Telecommunications Funding Shift

The budget includes an increase of \$629,400 from the State Lottery Fund in FY 2011 for a funding shift. Telecommunications funding is included in the operating budget instead of the Telecommunications line item

- ^{1/} Instant Tickets, On-Line Vendor Fees, and Retailer Commissions are appropriated as a percentage of sales. Therefore, the amounts shown for those line items are estimates only.
- ^{2/} An amount equal to 3.6% of actual instant ticket sales is appropriated for the printing of instant tickets or for contractual obligations concerning instant ticket distribution. This amount is currently estimated to be \$12,451,000 in FY 2011. (General Appropriation Act footnote.)
- ^{3/} An amount equal to a percentage of actual on-line game sales as determined by contract is appropriated for payment of on-line vendor fees. This amount is currently estimated to be \$7,717,100, or 3.7% of actual on-line ticket sales in FY 2011. (General Appropriation Act footnote.)
- ^{4/} An amount equal to 6.5% of gross lottery game sales is appropriated for payment of sales commissions to ticket retailers. An additional amount of not to exceed 0.5% of gross lottery game sales is appropriated for payment of sales commissions to ticket retailers. The combined amount is currently estimated to be 6.7% of total ticket sales, or \$37,147,000 in FY 2011. (General Appropriation Act footnote.)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

beginning in FY 2011. The shift results in no net change in the Lottery's overall funding level.

Restore Spending Reduction

The budget includes an increase of \$169,600 from the State Lottery Fund in FY 2011 to restore a spending reduction.

In FY 2010, the operating budget was reduced by \$(276,400) as part of a lump sum reduction. In FY 2011, \$169,600 of that reduction is being shifted to the On-Line Vendor Fees line item, which results in a corresponding increase in the operating budget. This shift leaves the operating budget with a \$(106,800) lump sum reduction. *(Please see the On-Line Vendor Fees line item for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(154,700) from the State Lottery Fund in FY 2011 for statewide adjustments. *(Please see the General Provisions section.)*

Advertising

The budget includes \$16,000,000 from the State Lottery Fund for Advertising in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used to promote and market Lottery games.

Instant Tickets

The budget includes \$12,451,000 from the State Lottery Fund for Instant Tickets in FY 2011. This amount funds the following adjustments:

Instant Ticket Sales Increase

The budget includes an increase of \$913,800 from the State Lottery Fund in FY 2011 for Instant Tickets due to higher projected sales. *(See the Lottery Forecast and Distributions section for more details.)*

Monies in this line item are used to pay for instant ticket printing and distribution costs. The actual appropriation is for 3.6% of instant ticket sales. The amount displayed is derived by applying the approved spending percentage to the forecasted sales total.

On-Line Vendor Fees

The budget includes \$7,717,100 from the State Lottery Fund for On-Line Vendor Fees in FY 2011. This amount funds the following adjustments:

New Vendor Contract Rate

The budget includes a decrease of \$(125,900) from the State Lottery Fund in FY 2011 for On-Line Vendor Fees due to a new on-line vendor contract rate.

In FY 2010, the On-Line Vendor Fees line item was reduced by \$(523,300) as part of a lump sum reduction. This reduction was achieved through savings from a new contract. In FY 2011, these savings will be annualized and grow by \$169,600 to \$(692,900). While the reduction in the line item would otherwise increase by \$169,600, the net reduction is only \$(125,900). This net reduction is due to the annualization of the new contract rate of 3.7% of total on-line sales in FY 2011.

Monies in this line item are used to pay the vendor that operates the on-line game computer system. The actual appropriation is equal to a percentage of on-line ticket sales specified in the Lottery's contractual agreement with the vendor. The new contract specifies that the new contract rate is 3.7% of total on-line sales beginning October 2009.

The displayed amount is derived by applying the approved percentage to the forecasted sales total. The old contract of 4.0322% was applied to the first 3 months of FY 2010 and the new contract rate of 3.7% was applied to the next 9 months of FY 2010 and all of FY 2011.

Retailer Commissions

The budget includes \$37,147,000 from the State Lottery Fund for Retailer Commissions in FY 2011. This amount funds the following adjustments:

Retailer Commission Increase

The budget includes an increase of \$1,773,400 from the State Lottery Fund in FY 2011 for Retailer Commissions due to higher projected sales. *(See the Lottery Forecast and Distributions section for more details.)*

Monies in this line item are used to compensate retailers for selling lottery tickets. The actual appropriation is equal to 6.5% of total ticket sales. Pursuant to statute, an additional 0.5% of total ticket sales may be paid to retailers based on their attainment of specified sales and marketing objectives. Since 40% of retailers are estimated to meet these objectives, this would result in an additional 0.2% in retailer commissions and a total retail commission rate of 6.7%. The displayed amount is derived by applying the approved percentage to the forecasted sales total.

Sales Incentive Program

The budget includes \$50,000 from the State Lottery Fund for the Sales Incentive Program in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used to provide monetary incentives to employees in the Lottery's Marketing Division for working with retailers to increase sales.

Telecommunications

The budget includes no funding from the State Lottery Fund for Telecommunications in FY 2011. This amount funds the following adjustments:

Telecommunications Funding Shift

The budget includes a decrease of \$(629,400) from the State Lottery Fund in FY 2011 for a funding shift. Telecommunications funding is included in the operating budget instead of the Telecommunications line item beginning in FY 2011. The shift results in no net change in the Lottery's overall funding level.

Monies in this line item were used to pay for all costs related to the Lottery's telecommunications network. The Lottery provides telecommunications services to retailers who sell on-line game tickets through a contract with private vendors.

5th Special Session Reduction

The budget includes \$(528,400) from the State Lottery Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount was allocated to the operating budget in the General Appropriation Act pending agency decisions on how to allocate.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

Lottery Forecast and Distributions

The budget forecast for overall ticket sales of \$554,432,300 for FY 2011 represents a 5.0% increase from forecasted FY 2010 ticket sales of \$527,964,600.

The budget forecast for instant ticket sales of \$345,861,400 for FY 2011 represents a 7.9% increase from forecasted FY 2010 instant ticket sales of \$320,478,000. The Instant Scratchers game remains the largest contributor to the FY 2011 forecast with estimated sales of \$290,145,600.

In regards to state-only on-line ticket sales (excluding Powerball), the budget forecast for on-line ticket sales of \$91,332,400 for FY 2011 represents a 1.2% increase from forecasted FY 2010 on-line ticket sales of \$90,248,100. Due to the uncertainty of when large Powerball jackpots will occur, the budget forecast includes no growth in Powerball ticket sales for FY 2011.

A.R.S. § 5-505B requires the Lottery to deposit at least 50% of total ticket sales in the non-appropriated portion of the State Lottery Fund, which is used for prize payouts. If

the Lottery chooses to deposit more than 50% of total ticket sales for prize payouts, then the remaining amount for beneficiary distribution decreases. In FY 2009, approximately 59% of total ticket sales were used for prizes. FY 2010 year-to-date, this percentage has further increased to 61.4% of total ticket sales. Excluding fund transfers, monies available for distribution are estimated to be \$141,037,000 in FY 2011, based on an approximate 60% prize payout.

Table 1 shows a comparison between total ticket sales and the proceeds available for distribution over the last 10 fiscal years. Table 1 indicates that the average annual increase in ticket sales is 6.3% whereas proceeds available for distribution have only increased by 5% annually since FY 1999. Due to both an increase in prize payouts and a decrease in beneficiary distribution, the relevant long-term growth rate is assumed to be 5% as opposed to 6.3%.

Table 1

Lottery Ticket Sales

<u>Fiscal Year</u>	<u>Ticket Sales</u>	<u>% Growth</u>	<u>Proceeds Available for Distribution</u>	<u>% Growth</u>
FY 1999	\$268,263,400		\$ 80,473,300	
FY 2000	258,561,900	-3.6%	75,442,600	-6.3%
FY 2001	272,671,100	5.5%	77,772,900	3.1%
FY 2002	294,823,700	8.1%	84,900,200	9.2%
FY 2003	322,267,100	9.3%	92,447,700	8.9%
FY 2004	366,582,105	13.8%	105,861,000	14.5%
FY 2005	397,560,945	8.5%	113,744,000	7.4%
FY 2006	468,696,827	17.9%	138,253,600	21.5%
FY 2007	462,199,980	-1.4%	137,248,800	-0.7%
FY 2008	472,937,278	2.3%	141,888,700	3.4%
FY 2009	484,486,104	2.4%	126,057,200	-11.2%
Average Growth Rate		6.3%		5.0%

As a result of offering higher prizes as well as increasing aggregate game payouts, FY 2009 total ticket sales were \$11,548,800 above FY 2008. FY 2010 year-to-date sales are currently \$57,602,300 above FY 2009. An increase in ticket sales due in part to higher payouts, however, has in turn led to reduced distributions to state beneficiaries. The percentage of ticket sales that was used for beneficiary distribution dropped from 30% prior to FY 2009 to 26% in FY 2009. As a result, actual profits available for distribution to beneficiaries, excluding fund transfers, dropped by \$(21,675,800) in FY 2009 as compared to the prior year

FY 2010 year-to-date, this percentage has further dropped to 21.9%. Lottery notes that by the end of the fiscal year, the percentage of ticket sales distributed to beneficiaries will equal 26%.

Sources and Uses of Lottery Profit Distribution

Table 2 shows the sources of forecasted Lottery profits by revenue stream and illustrates the actual distributions to fund beneficiaries for FY 2009 and the budget projected distributions for FY 2010 and FY 2011. A brief description of each beneficiary follows in the order that they receive Lottery-generated revenue in accordance with A.R.S. § 5-522.

Sales	FY 2009	FY 2010	FY 2011
Instant Sales	\$278.9	\$320.5	\$345.8
On-Line Sales	<u>205.6</u>	<u>207.5</u>	<u>208.6</u>
Total Sales	\$484.5	\$528.0	\$554.4
<i>Less:</i>			
Operating Budget	\$ 73.8	\$ 78.5	\$ 81.0
Fund Transfers ^{1/}	12.2	9.8	1.8
Prizes ^{2/}	<u>284.7</u>	<u>313.0</u>	<u>330.6</u>
Net Profit ^{3/}	\$113.8	\$126.7	\$141.0
Profit Transfers			
Debt Service Fund ^{4/}	\$ NA	\$ NA	\$ 21.6
General Fund – Part 1 ^{5/}	31.0	49.3	59.0
LTAf II ^{6/}	9.0	5.1	NA
LTAf ^{6/}	21.8	12.7	NA
CAF ^{6/}	7.3	4.2	NA
Heritage	20.0	16.2	10.0
Health and Welfare Programs	20.9	19.7	19.9
Homeless Shelters	0	1.0	1.0
General Fund – Part 2 ^{5/}	0	13.4	15.5
University Capital	0	0	7.8
General Fund – Part 3 ^{5/}	0	0	0.8
Economic Development ^{7/}	<u>3.8</u>	<u>5.1</u>	<u>5.4</u>
Total Transfer	\$113.8	\$126.7	\$141.0

^{1/} Transfers in FY 2010 include an advertising fund transfer of \$4,162,700, \$1,000,000 due to a combined Fund Reduction and Transfer (FRAT) and personnel expense reduction, \$4,055,000 due to a 10% county proceeds transfer, an additional \$8,700 personnel expense reduction, and an additional FRAT of \$528,400 as enacted by Laws 2009, 5th Special Session, Chapter 1. Transfers in FY 2011 include a \$226,600 personnel expense reduction and continue a FY 2010 combined \$1,000,000 FRAT and personnel expense reduction as well as an additional \$528,400 FRAT.

^{2/} Prizes are estimated by subtracting net profit and operating budget expenditures from total Lottery sales.

^{3/} To derive the profit transfer amounts, the actual FY 2009 rate of return for each game was applied to the current budget forecast. The cumulative profit transfer rate is 26%.

^{4/} Assumes that the \$450,000,000 Lottery Revenue Bond is issued with an interest-only payment of \$21,600,000 in FY 2011.

^{5/} Total distributions to the General Fund totaled \$31,000,000 in FY 2009 and are estimated to be \$62,686,800 in FY 2010 and \$75,334,600 in FY 2011. The FY 2010 estimate includes \$18,268,600 due to redirected distributions for Mass Transit, LTAf, CAF and the State Parks Board Heritage Fund and the FY 2011 estimate includes redirected distributions of \$49,650,000 as enacted by Laws 2010, 7th Special Session, Chapter 12.

^{6/} Distribution cumulatively reduced by \$(2,007,500) in FY 2009 and \$(4,055,000) in FY 2010.

^{7/} Dedicated funding from 2 instant ticket games.

State Lottery Revenue Bond Debt Service Payment Fund
Laws 2010, 6th Special Session, Chapter 4 authorized the Arizona Department of Administration (ADOA) to issue a

20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments will be made from Lottery revenues that would have otherwise been deposited into the General Fund. It is estimated that the FY 2011 bond payment will be \$21,600,000, which is interest only. Beginning in FY 2011, Chapter 4 requires the first Lottery proceeds to be distributed to the State Lottery Revenue Bond Debt Service Payment Fund.

General Fund – Part 1

Prior to FY 2011, the General Fund could receive up to \$31,000,000 prior to other distributions and an additional \$15,490,000 from the Part 2 distribution (for a total of \$46,490,000) after the statutory funding obligations have been met through the Homeless Shelters distribution. The General Fund is estimated to receive \$31,000,000 in FY 2010 from this distribution plus \$13,418,200 from the Part 2 distribution. In addition, the General Fund is estimated to receive another \$18,268,600 in FY 2010 from the Part 1 distribution due to the redirection of FY 2010 beneficiary distributions to the Mass Transit Fund, the Local Transportation Assistance Fund (LTAf), the County Assistance Fund (CAF), and the State Parks Board Heritage Fund after February 1, 2010 to the General Fund. (Please see the Additional Legislation section for more details.)

Beginning in FY 2011, the General Fund would receive up to \$59,050,000 from the Part 1 distribution due to the permanent elimination of beneficiary distributions to Mass Transit, LTAf, CAF, and the State Parks Board Heritage Fund. Of this amount, \$49,650,000 is due to the elimination of these beneficiary distributions.

The General Fund (Part 2) could receive an additional \$15,490,000 (for a total of \$74,540,000) after the statutory funding obligations have been met through the Homeless Shelters distribution.

After all other statutory obligations have been met, the General Fund (Part 3) receives all remaining revenues. In FY 2011, that amount is estimated to be \$794,600.

In FY 2011, the General Fund is projected to receive a cumulative \$75,334,600 from all 3 distributions.

Mass Transit Fund

Prior to FY 2011, the Mass Transit Fund (otherwise known as LTAf II) received its monies after the \$31,000,000 distribution to the General Fund was met. Starting in FY 2009, it received a maximum of \$9,000,000 increasing by up to 10% every year until total revenues reach a maximum of \$18,000,000. The funds were used by the counties to enhance existing public transportation systems. The Mass Transit Fund was originally estimated to receive \$8,910,000 in FY 2010 and \$10,890,000 in FY 2011.

The FY 2011 Revenues Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 12) redirected FY 2010 Lottery distributions for the Mass Transit Fund after February 1, 2010 to the General Fund. As a result, the Mass Transit Fund is estimated to receive \$5,113,100 in FY 2010, which is the amount distributed prior to February 1, 2010.

The FY 2011 Revenues BRB also permanently repealed the Mass Transit Fund, eliminated any statutorily established distributions beginning in FY 2011, and redirected this distribution to the General Fund.

Local Transportation Assistance Fund

Prior to FY 2011, LTAF received a maximum of \$23,000,000 annually. Funds were distributed to cities and towns. The uses included road building, traffic signals, sidewalk and alley repair, general maintenance, and Dial-a-Ride operating expenses. LTAF was originally estimated to receive \$20,700,000 in FY 2010 and \$23,000,000 in FY 2011.

The FY 2011 Revenues BRB also redirected FY 2010 Lottery distributions for LTAF after February 1, 2010 to the General Fund. As a result, LTAF is estimated to receive \$12,732,200 in FY 2010, which is the amount distributed prior to February 1, 2010. *(Please see the Additional Legislation section for more details.)*

The FY 2011 Revenues BRB permanently repealed LTAF, eliminated any statutorily established distributions beginning in FY 2011, and redirected this distribution to the General Fund.

County Assistance Fund

Prior to FY 2011, CAF received a maximum of \$7,650,000 each fiscal year. The monies were distributed to the General Funds of each of the counties to be used at their discretion. CAF was originally estimated to receive \$6,885,000 in FY 2010 and \$7,650,000 in FY 2011.

The FY 2011 Revenues BRB also redirected FY 2010 Lottery distributions for CAF after February 1, 2010 to the General Fund. As a result, CAF is estimated to receive \$4,233,400 in FY 2010, which is the amount distributed prior to February 1, 2010. *(Please see the Additional Legislation section for more details.)*

The FY 2011 Revenues BRB permanently repealed CAF and eliminated any statutorily established distributions beginning in FY 2011.

Heritage Fund

Prior to FY 2011, the Heritage Fund received up to a maximum of \$20,000,000. Monies were divided equally between the Game and Fish Commission Heritage Fund and the State Parks Board Heritage Fund.

The FY 2011 Revenues BRB also redirected FY 2010 Lottery distributions for the State Parks Board Heritage Fund after February 1, 2010 to the General Fund. As a result, the State Parks Board Heritage Fund is estimated to receive \$6,147,800 in FY 2010, which is the amount distributed prior to February 1, 2010. The Game and Fish Heritage Fund is estimated to receive its entire allocation in FY 2010. *(Please see the Additional Legislation section for more details.)*

The FY 2011 Revenues BRB permanently repealed the State Parks Board Heritage Fund, eliminated any statutorily established distributions beginning in FY 2011 and redirected this distribution to the General Fund. The BRB also reverts any unused monies left in the fund to the General Fund on June 30, 2011. As a result, beginning in FY 2011, the funds are still used to promote wildlife habitat and education programs as well as rehabilitate historic buildings but they are no longer used to acquire and develop park land and renovate trail systems, among other purposes. The Game and Fish Heritage Fund is estimated to receive \$10,000,000 in FY 2011.

Health and Welfare Programs

Statute requires annual inflation adjustments for the Health and Welfare distribution. The revised allocation cap is \$19,663,800 in FY 2010 and \$19,919,500 in FY 2011. These amounts are distributed among the following agencies:

- 29.4% to the Department of Economic Security for the Healthy Families program.
- 23.5% to the Arizona Board of Regents for the Arizona Health Education Center program.
- 17.6% to the Department of Health Services (DHS) for teenage pregnancy prevention.
- 11.8% to the Arizona Biomedical Research Commission for Disease Control Research.
- 11.8% to DHS for the Health Start program.
- 5.9% to DHS for the Women, Infants and Children food program.

Health and Welfare Programs are expected to receive their entire allocation in both FY 2010 and FY 2011.

Homeless Shelters

The Department of Economic Security receives \$1,000,000 for Homeless Shelters. The department shall use the funding to distribute grants to nonprofit organizations, including faith based organizations, for homeless emergency and transitional shelters and related support services. They are estimated to receive \$1,000,000 both in FY 2010 and FY 2011.

General Fund – Part 2

As noted above, the General Fund could receive an additional \$15,490,000 after all prior allocations have been met. The General Fund is estimated to receive an

additional \$13,418,200 in FY 2010 and its entire \$15,490,000 allocation in FY 2011.

University Capital Improvement Fund

The FY 2009 Education BRB (Laws 2008, Chapter 287) required that after all Lottery revenue beneficiaries have received their statutory distributions, up to a maximum of \$20,000,000 shall be deposited into the University Capital Improvement (UCI) Fund in FY 2009. However, this fund received no monies in FY 2009.

This fund serves as the source for up to 80% of the debt service associated with \$800,000,000 University Capital construction lease-purchase. The FY 2010 Higher Education BRB (Laws 2009, 3rd Special Session, Chapter 9) restricts Lottery distributions in FY 2011 into the UCI Fund by not allowing Lottery revenues to exceed 80% of the required annual debt service for \$167,671,200 of debt in FY 2010 and FY 2011. UCI is expected to receive no monies in FY 2010 and \$7,801,800 in FY 2011, which is 80% of the total debt service payment of \$9,752,300 for the \$167,671,200. Beginning in FY 2012, the existing debt service cap is lifted, and the Arizona Board of Regents can begin making debt payments on any of its outstanding lease-to-own and bond agreements. *(Please see the FY 2011 Arizona Board of Regents Capital Outlay section for more details.)*

General Fund – Part 3

The General Fund receives all remaining revenues after all statutory funding obligations have been met. In FY 2011, the General Fund is estimated to receive \$794,600.

Commerce and Economic Development (CEDC) Fund

Administered by the Arizona Department of Commerce, CEDC receives its funds from the sales of 2 Instant Scratchers games. The funds are used to support the state's community and economic development goals, initiatives, and strategic plans as defined and developed by the CEDC. CEDC is estimated to receive \$5,124,800 in FY 2010 and \$5,381,100 in FY 2011.

Additional Legislation

FY 2010 Beneficiary Distributions

The FY 2011 Revenues BRB redirects Lottery distributions after February 1, 2010 for the Mass Transit Fund, LTAF, CAF, and the State Parks Board Heritage Fund to the General Fund. It is estimated that this provision would generate \$18,268,600 in General Fund revenues in FY 2010. *(See the Lottery Forecast and Distributions section for more details.)*

FY 2011 Beneficiary Distributions

The FY 2011 Revenues BRB permanently repeals Mass Transit, LTAF, CAF, and the State Parks Board Heritage Fund along with their statutorily required distributions and redirects these distributions to the General Fund beginning

in FY 2011. It is estimated that this provision would generate \$49,650,000 in General Fund revenues in FY 2011.

State Lottery Re-Authorization

Laws 2010, 6th Special Session, Chapter 2 re-establishes both the State Lottery Commission and the State Lottery Fund, continues the existing State Lottery's statutory provisions beginning July 1, 2012 and terminates the State Lottery on July 1, 2035. In addition, Chapter 2 secures a first lien on monies that would have otherwise been deposited in the General Fund, for the payment of bond related obligations from the State Lottery Revenue Bond Debt Service Payment Fund.

State Lottery Revenue Bonds

Laws 2010, 6th Special Session, Chapter 4 authorizes ADOA to issue a 20-year, \$450,000,000 Lottery revenue bond by December 31, 2010 to be deposited into the General Fund. The payments will be made from the Lottery revenues that would have otherwise been deposited into the General Fund. It is estimated that the FY 2011 bond payment will be \$21,600,000, which is interest only. This will result in the General Fund receiving \$21,600,000 less in Lottery revenues in FY 2011.

Instant Ticket Games for Charitable Organizations

Laws 2010, Chapter 126 requires the Lottery Commission to establish special instant ticket games for use by charitable non-profit organizations. It is estimated that approximately 300 charitable organizations statewide would meet the qualifying criteria which requires them to have operated within the state for charitable purposes for at least 2 years. Charitable non-profit organizations are allowed to collect 20% of the special ticket's sales. Chapter 126 also allows Lottery to use up to 15% of total annual ticket sales of these instant games for operating expenses.